Case Summary: Trans-High Strikes Again: Business Owners held Personally Liable for Trademark Infringement in *Trans-High Corporation* v. *Conscious Consumption Inc., et al*, 2016 FC 949

Trans-High Corporation ("Trans-High"), the owner of several HIGH TIMES trademarks, made headlines in the Canadian intellectual property world in the fall of 2015 when it successfully obtained an order from the Federal Court for the imprisonment of a business owner who operated a headshop in Toronto under the name High Times. The business owner had pleaded guilty to contempt of court for failing to comply with an injunction and then failed to comply with the fines ordered by the court at the contempt proceeding (*Trans-High Corporation* v. *Hightimes Smokeshop and Gifts Inc.*, 2015 FC 919). Trans-High has once again obtained a judgment against the owners of a business. In *Trans-High Corporation* v. *Conscious Consumption Inc., et al*, 2016 FC 949 ["*Trans-High*"] the owners of another Toronto headshop operating as High Times were held to be personally liable for trademark infringement, passing off, and depreciation of goodwill.

Trans-High is the publisher of *High Times* magazine, which has been published for over 40 years. *High Times* magazine is known for its activism and counterculture interests in the decriminalization/legalization of marijuana. In addition to *High Times* magazine, Trans-High has used its HIGH TIMES trademarks expansively in relation to the retail and wholesale sale and distribution of a diverse range of products, including smoking articles and accessories. Trans-High owns several registered HIGH TIMES trademarks and applications for such use.

After getting nowhere with efforts to convince the owners of a headshop in Toronto to stop using HIGH TIMES on the headshop's storefront, online advertising and retail goods, Trans-High commenced an application for trademark infringement, passing off and depreciation of goodwill against not just the corporate entity, but also against two of its owners personally.

Despite the lack of evidence from the Respondents, none of whom participated in the court process, Justice Manson determined that there was sufficient evidence in corporate documents and social media posts to not only demonstrate that the individual Respondents were the owners and directing minds of the corporate Respondent, but also that they should be personally liable for the infringement.

With respect to personal liability, Justice Manson followed the decision of the Federal Court of Appeal in *Mentmore Manufacturing Co* v. *National Merchandise Manufacturing Co.*, [1978] FCJ No 521 (CA) ["*Mentmore*"] which focuses on whether the purpose of the individual was the "deliberate, wilful [*sic*] and knowing pursuit of a course of conduct that was likely to constitute infringement or reflected an indifference to the risk of it" rather than conduct in the ordinary course of his relationship with the company.

Implicit in *Mentmore* is the idea that a deliberate, willful, knowing pursuit of infringement is not conduct in the ordinary course of an individual's relationship with the company. This implicit conclusion was explicitly stated in *Trans-High*, when Justice Manson held that the individuals' willful infringement "cannot be a legitimate exercise of their corporate duties as officers, directors or the controlling minds of the corporate Respondent."

The treatment of willful infringement as being outside the scope of corporate duties is unique to intellectual property infringement by corporations. In other contexts, the threshold established by the courts for personal liability is stricter. For example, in *Normart Management Ltd.* v. *West Hill Redevelopment Co. Ltd.*, 1998 CanLII 2447 (ON CA) the Ontario Court of Appeal held that directing minds could only be liable where there is some conduct on the part of those directing minds that:

1. is either tortious in itself; or
2. exhibits a separate identity or interest from that of the corporation.

The Federal Courts have essentially equated a deliberate, willful and knowing pursuit of infringing activity with the type of illegal, fraudulent and improper conduct that will permit the corporate veil to be pierced. For example in *642947 Ontario Ltd.* v. *Fleischer*, 2001 CanLII 8623 (ON CA), the Ontario Court of Appeal held that the corporate veil may be pierced when:

1. the company is incorporated for an illegal, fraudulent or improper purpose;
2. those in control expressly direct a wrongful thing to be done; or
3. it is completely dominated and controlled and being used as a shield for fraudulent or improper conduct.

Trans-High serves as a reminder that the threshold for individual director liability can be lower in intellectual property cases, especially where the infringement is deliberate, and where the respondents do not participate in the court process.

Submitted by
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